

Singular Health Group Ltd: SHG

ASX Announcement

6 December 2022

Singular Health acquires Global3D business and launches Share Purchase Plan

- Company, to acquire material 3D printing assets from Global3D, a Perth-based advanced 3D printing company that offers prototyping and 3D printing services using leading 3D printing technologies
- Acquiring vehicle will be Company's new wholly owned subsidiary, Singular 3DP Pty Ltd, which will be operationally run by current Global3D majority shareholders and employees, initially focussing on generating revenue by producing custom-made ankle-foot orthoses & prosthetic check sockets whilst the Company works to further advance medical imaging development relating to the manipulation and transfer of medical imaging data in a way that integrates seamlessly with 3D printing
- All scrip transaction with revenue-based earn-out milestones and working director performance rights preserves cash position and incentivises revenue
- Launch of Share Purchase Plan to raise \$1 million at 11.5 cents (A\$) per share, to provide eligible shareholders the opportunity to invest in Singular Health at a discount to the current market price.

6 December 2022 – Medical technology company Singular Health Group Ltd (ASX: SHG) ("Singular Health", or "the Company") is pleased to announce that it has entered into an asset sale agreement ("the Transaction") to acquire certain 3D printing assets, related plant and equipment, intellectual property and take over the majority of Global3D Pty Ltd's ("Global3D") existing medical focused 3D printing business (the "Transaction Assets"). Global3D is a West-Australian company providing advanced 3D printing services from an established ISO-9001 accredited facility 20 km south of Perth, Western Australia.

This announcement ends the trading halt applied to the Company's ordinary shares ("Shares") on Monday, 5 December 2022.

Acquisition of Global 3D Assets and Facility

The 347m² facility, located in Bibra Lake, approximately 20km South of Perth, Western Australia, has been fitted out with three (3) industrial printers, post-processing and clean rooms, and a mezzanine office space for on-site design work. This leased facility is included in the transaction and Singular Health will novate the lease upon completion.

The acquisition of Global3D's assets will see Singular Health's newly incorporated, and wholly-owned, subsidiary Singular 3DP Pty Ltd ("Singular 3DP"), invest between \$100,000 – \$150,000 in upgrading the existing ISO9001 certified quality system to the ISO13485:2016 standard, as well as improved post-processing plant and equipment. The former will allow for the future 3D printing of higher-risk surgical guides and implantable medical devices, while the latter will improve the quality of Global3D's existing low-risk ankle-foot-orthoses (AFOs) and prosthetic check sockets to broaden the customer base and generate additional sales.

This acquisition follows a long-standing review of the binding heads of agreement entered into between Singular Health and Global3D to incorporate a 50/50 joint venture for medical 3D printing prior to the Company's 2021 IPO (*refer to Singular Health Prospectus – 9th December 2020, page 30*), which determined that a 100% ownership of a 3D printing facility would provide greater long-term growth opportunities for Singular Health shareholders.



Figure 1: Large Format Industrial Printer at Global3D Facility in Bibra Lake, Western Australia

Patient Specific Prosthetics and Orthotics

Global3D has already been heavily involved in the design and 3D printing of low-risk, high volume, patient-specific medical devices such as ankle-foot orthoses (AFOs) and check sockets for prosthetics.

With more than 450 Orthotists and Prosthetists in Australia and the number of patients needing custom check sockets growing by 8,000 every year in Australia alone, there is a substantial market for these devices.

Singular Health shall provide sales, marketing, and Quality System support to existing Global3D Key Management Personnel working within Singular 3DP post-acquisition.



Figure 2: 3D Printed Check Socket

Thomas Hanly, Singular Health's Managing Director, said:

"Singular Health's Scan to Surgery initiative is a vertically-integrated process for the design and production of patient-specific medical devices that requires the combination of the Company's 3Dicom Software with advanced additive production."

"This acquisition of Global3D's business and assets in conjunction with our investment in Australian Additive Engineering in Melbourne provides a unique national coverage for the design and 3D printing of patient specific medical implants and prosthetics."

Key Terms of the Transaction

The Transaction consideration payable to Global3D comprises 5,500,000 fully paid ordinary Shares ("Completion Shares") and 1,720,000 freely attaching unlisted options to acquire Shares ("Options") in the Company with an exercise price of \$0.20 and a term of three years from completion ("Completion Options").

Global3D will have the opportunity to earn up to a further 900,000 Shares ("Earn-Out Shares") and 280,000 freely attaching unlisted Options (with an exercise price of \$0.20 and a term of three years from the first anniversary of completion) ("Earn-Out Options") in connection with an earn-out triggered in the event Singular 3DP achieves gross revenue within the twelve months following completion of the Transaction in excess of \$550,000 (subject to Singular 3DP also achieving an EBITDA margin equal to or greater than 10% on gross revenue during the same period) (the "Earn-Out").

Global3D's joint founders, Paul Cummings and Nigel Brown will be appointed as working directors of the Singular Health subsidiary, Singular 3DP, which will own and operate the Transaction Assets from completion.

The Transaction values the Transaction Assets (assuming a Share price of \$0.15) at \$825,000 plus options and the Earn-Out.

Completion of the Transaction is currently being targeted for 9 January 2023, however the Transaction is subject to a number of conditions precedents including vendor shareholder consent, novation of certain material contracts and other customary condition precedents.

In connection with their appointment as directors of Singular 3DP, and distinct from the consideration payable to Global3D under the Transaction, Paul Cummings and Nigel Brown will each be issued 3,000,000 performance rights (with various revenue based performance milestones) under Singular Health's existing Employee Share Option Plan, the terms of which are summarised in the 'Material Terms of Director Appointment' table below.

It is not currently anticipated that any shareholder approvals will be required in connection with the transaction.

A summary of the material terms of the Transaction is set out in the 'Summary of Key Transaction Terms' table below.

Placement Capacity

The Transaction does not require Singular Health shareholder approval as all of the Completion Shares, Completion Options, Earn-Out Shares and Earn-Out Options (together, the **Transaction Securities**) are being issued (or agreed to be issued) in compliance with ASX Listing Rule 7.1 utilising the Company's current placement capacity. Together the Transaction Securities comprise 8.4 million Shares (on a fully diluted basis, assuming all Earn-Out conditions are met and exercise of all Completion Options and Earn-Out Options), equivalent to 8.17% of Singular Health's total current Shares on issue.

Share Purchase Plan

Singular Health is conducting a share purchase plan ("SPP") to provide eligible shareholders with the opportunity to acquire up to A\$30,000 worth of Shares without paying any brokerage costs, commission or other transaction costs.

Shareholders participating in the SPP will be able to purchase Shares at 11.5 cents (A\$) per Share (the "Issue Price"), being a 18.2% discount to the VWAP over the past five trading days of Shares on ASX up to, and including, 2 December 2022. The Issue Price is a 20.7% discount to the Company's closing trading price on 2 December 2022, the trading day prior to the Company's trading halt on Monday, 5 December 2022.

Singular Health is targeting to raise up to \$1 million under the SPP. However, the Company may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this target amount at its absolute discretion, subject to the personal limit on eligible shareholders participating in the SPP and the limitations of the ASX Listing Rules regarding share purchase plans.

Funds raised under the SPP will be used towards:

- Further diagnostic clearances for software in the USA, Canada and Australia.
- Sales and marketing
- transaction costs of the SPP and Global3D Acquisition; and
- general working capital purposes.

The SPP offer opens at 9.00am (AEDT) on Tuesday, 6 December 2022 and is expected to close at 5.00pm (AEDT) on Monday, 19 December 2022. To participate in the SPP, you may apply to acquire Shares in the amount of A\$1,000, A\$2,000, A\$3,000, A\$5,000, A\$10,000, A\$15,000, A\$20,000, A\$25,000 or A\$30,000. All new Shares issued under the SPP will rank equally with existing Shares.

Participation in the SPP is optional and is open to eligible shareholders who are holders of Shares on the 'Record Date' (being 7.00pm (AEDT)) on Monday, 5 December 2022) with a registered address on the register in Australia or New Zealand ("Eligible Shareholders"). Certain Eligible Shareholders who are custodians holding Shares on behalf of certain beneficiaries are also invited to participate in the SPP on the terms and conditions set out in this SPP Booklet. Your entitlement to participate is personal to you and is not renounceable.

Further details regarding the SPP are set out in the SPP Offer Booklet uploaded to the ASX simultaneously to this announcement (the "Offer Booklet"). Eligible Shareholders may access their personal Offer Booklet through the Company's share registry website at <https://investor.automic.com.au/#/home> and accessing your Investor Portal.

Shareholders are encouraged to read the Offer Booklet carefully and in its entirety. Before making any decision to participate in the SPP, we recommend you consult your financial or other professional adviser.

Thomas Hanly, Singular Health's Managing Director, said:

"The Share Purchase Plan (SPP) provides an opportunity for all our existing shareholders to participate in the future growth plans of Singular Health. In the last 12 months, the Company has built the foundations for an exciting 2023. Not only are we investing in additional advanced medical production capabilities, but the significant effort made by our team in securing FDA 510(k) clearance provides Singular with an incredible platform for our sales and marketing team to grow and support our software users globally."

The launch of our SPP, also marks the launch of our new interactive investor centre at <https://investor.singular.health>. Here you can find out more about our SPP and register to be kept informed of our announcements, and news, and provides a tool to communicate directly with Singular Health management and staff.

Key Dates

Event	Description	Date (and time (AEDT) if relevant)
Record Date	The date and time that eligibility to participate in the SPP was determined (being 1 business day before announcement of the SPP).	7:00pm on Monday, 5 December 2022
Announcement	Trading halt lifted, announcement of the SPP and release of ASX Investor Presentation.	9:00am on Tuesday, 6 December 2022
Opening Date	SPP opens. Applications can be submitted and BPAY® payments can be made on and from this date.	9:00am on Tuesday, 6 December 2022
Closing Date	SPP closes. Applications must be received by this time and date (unless extended).	5:00pm on Monday, 19 December 2022
Results Announced	The results of the SPP will be announced to ASX (including scale back policy if applicable).	Tuesday, 20 December 2022
Issue Date	Shares will be allotted and issued on this date.	Wednesday, 21 December 2022
Quotation Date	Dispatch of holding statements and quotation and normal trading of Shares issued under the SPP.	Thursday, 22 December 2022

This timetable is indicative only and is subject to change. The commencement of trading and quotation of Shares is subject to confirmation from ASX. Singular Health reserves the right to alter the dates above, withdraw or vary the SPP, or accept applications received after the closing date at any time either generally or in particular cases without notice, in each case in the Company's absolute discretion, subject to the ASX Listing Rules and the Corporations Act.

Summary of Key Transaction Terms

Key Acquisition Terms	A wholly owned subsidiary of Singular Health, Singular 3DP Pty Ltd, (Singular 3DP) to acquire all the assets, material contracts and intellectual property owned and developed by Global3D Pty Ltd (Global3D).
Purchase Price	SHG to issue Global3D 5,500,000 Shares (Completion Shares) and 1,720,000 Options with an exercise price of \$0.20 (Completion Options) at Completion. The Completion Options expire three years from completion of the transaction. 60% of the Completion Shares will be escrowed for 12 months from the date of issue. The remaining Completion Shares will be escrowed for 6 months from the date of issue. Any Shares issued on exercise of the Completion Options will be escrowed for a period of 12 months from exercise.

Earn-out	<p>Conditional on Singular 3DP generating \$550,000 gross revenue within the 12 months following completion (subject to Singular 3DP also achieving an EBITDA margin equal to or greater than 10% on gross revenue during the same period), SHG will issue to Global3D 900,000 Shares (Earn-Out Shares) and 280,000 Options with an exercise price of \$0.20 (Earn-Out Options). The Earn-out Options expire 3 years from the first anniversary of completion.</p> <p>60% of the Earn-Out Shares will be escrowed for 12 months from the date of issue, with the remaining Earn-Out Shares escrowed for 6 months from the date of issue. Any Shares issued on exercise of the Earn-Out Options will be escrowed for a period of 12 months from exercise.</p>
Conditions Precedent	<p>The Transaction is subject to, and conditional on:</p> <ul style="list-style-type: none"> • Global3D obtaining unanimous shareholder approval to the Transaction; • Global3D obtaining necessary consents or waiver of any material contract to be transferred to Singular 3DP that is subject to a change of control provision on terms satisfactory to Singular 3DP; • Singular 3DP novating or entering into re-financing agreements regarding third party financiers of particular material assets on terms satisfactory to Singular 3DP in its sole discretion; and • other conditions precedent ordinary for a transaction of this kind.
Timing	<p>Completion is to occur 5 Business Days after the satisfaction or waiver of the Conditions Precedent, with the parties currently targeting completion occurring on 9 January 2023.</p>
Restraint	<p>Global3D, Nigel Brown and Paul Cummings will not engage in activities that compete with the activities of Singular 3DP (upon acquiring the assets, material contracts and intellectual property of Global3D).</p>
New Directors	<p>Nigel Brown and Paul Cummings (New Directors) will both be appointed Directors of Singular 3DP, commencing from completion of the Transaction with an initial term of 24 months. Material terms of the New Directors' appointment is set out in the table below.</p>
Guarantee	<p>Nigel Brown and Paul Cummings guarantee the performance and obligations of Global3D under the agreement, including representation and warranty liability.</p>
Representations and Warranties	<p>Global3D provides representations and warranties regarding the assets, material contracts and intellectual property being acquired by Singular, along with general conduct of the Global3D business prior to the Transaction, that are standard and customary for a transaction of this kind.</p>

Material Terms of Director Appointments

Director Remuneration	Each of Nigel Brown and Paul Cummings, the New Directors, will receive \$88,400 per annum (incl. superannuation) as director fees in connection with their position as a director.										
Performance Rights	<p>Each New Director will also be issued performance rights under the Company's existing Employee Share Option Plan (ESOP) from the date of appointment (Performance Rights). The Performance Rights are issued to the New Directors in their personal capacity and are linked to the performance of Singular 3DP.</p> <p>Each New Director will be issued 333,333 'Class A' Performance Rights, 333,334 'Class B' Performance Rights, 1,666,666 'Class C' Performance Rights and 666,666 'Class D' Performance Rights (each a Performance Right or PR). Each Performance Right is issued on ordinary terms in accordance with the Company's ESOP and vest on a one-for-one basis into Shares, subject to the following vesting conditions:</p> <table border="1"> <thead> <tr> <th colspan="2">Singular 3DP achieving annualised gross revenue of:</th></tr> </thead> <tbody> <tr> <td>Class A PRs</td><td>\$800,000 within the six months following completion of the Transaction or \$1.5 million within 24 months following completion</td></tr> <tr> <td>Class B PRs</td><td>\$1 million within the 12 months following completion of the Transaction or \$1.5 million within 24 months following completion.</td></tr> <tr> <td>Class C PRs</td><td>\$1.2 million within 18 months following completion of the Transaction or \$1.5 million within 24 months following completion.</td></tr> <tr> <td>Class D PRs</td><td>\$1.5 million within 24 months following completion.</td></tr> </tbody> </table> <p>Any Performance Right will only vest upon satisfaction of the annualised gross revenue condition above to the extent the relevant New Director remains continuously employed by or is a director a company in the Singular Health group (other than in the event of termination without cause).</p> <p>The Performance Rights lapse if the relevant vesting conditions above are not met within 24 months following completion of the Transaction.</p>	Singular 3DP achieving annualised gross revenue of:		Class A PRs	\$800,000 within the six months following completion of the Transaction or \$1.5 million within 24 months following completion	Class B PRs	\$1 million within the 12 months following completion of the Transaction or \$1.5 million within 24 months following completion.	Class C PRs	\$1.2 million within 18 months following completion of the Transaction or \$1.5 million within 24 months following completion.	Class D PRs	\$1.5 million within 24 months following completion.
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Class A PRs	\$800,000 within the six months following completion of the Transaction or \$1.5 million within 24 months following completion										
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Class C PRs	\$1.2 million within 18 months following completion of the Transaction or \$1.5 million within 24 months following completion.										
Class D PRs	\$1.5 million within 24 months following completion.										
Escrow	Shares issued upon vesting of any Performance Rights will be subject to voluntary escrow for a period of 24 months from vesting.										

This announcement is authorised for release by the Managing Director.

Ends

For further information contact

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About Singular Health:

Founded in 2017, Singular Health is a medical technology company that empowers practitioners and patients via personalised surgical planning solutions that drive better health outcomes.

With Singular Health, practitioners are empowered by having the ability to collaborate with producers of patient-specific medical components in real-time while patients benefit from having access to easily comprehensible and enhanced medical information.

To learn more, please visit: www.singular.health

Disclaimer

An investment in Singular Health Shares is subject to known and unknown risks, some of which are beyond the control of Singular Health. Singular Health does not guarantee any particular rate of return or the performance of Singular Health, nor does it guarantee any particular tax treatment. An investment in Shares should be considered highly speculative and high risk due to the start up nature of the Company and its business.

This announcement is not an offer or an invitation to acquire Shares or any other financial products and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law. It is for information purposes only. This announcement has been prepared for publication in Australia and may not be released to, or distributed in, the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of Singular Health with registered addresses in New Zealand to whom the offer of Shares is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*. The Offer Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013*. The Offer Booklet is not a product disclosure statement under New

Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

You should make your own enquiries and investigations regarding the Shares and all information regarding the Company and any assumptions, uncertainties and contingencies which may affect future operations of Singular Health and the impact that different future outcomes may have on Singular Health. This announcement and the Offer Booklet has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. Singular Health is not licensed to provide financial product advice in respect of Shares. Cooling off rights do not apply to the acquisition of Shares (under the Offer or otherwise).